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**LISA D. NORDSTROM**  
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February 5, 2014

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-14-01  
Schedule 19 Update – Idaho Power Company's Reply Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Reply Comments.

Very truly yours,



Lisa D. Nordstrom

LDN:csb  
Enclosures

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Attorney for Idaho Power Company

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY TO	)	CASE NO. IPC-E-14-01
IMPLEMENT A SCHEDULE 19	)	
SUBSTATION ALLOWANCE AND	)	IDAHO POWER COMPANY'S
TRANSMISSION VESTED INTEREST	)	REPLY COMMENTS
(TARIFF ADVICE NO. 13-08)	)	
	)	

Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits to the Idaho Public Utilities Commission ("Commission") its Reply Comments in response to Comments submitted by the Industrial Customers of Idaho Power ("ICIP") on January 28, 2014.

I.  
**THE COMPANY'S PROPOSED LANGUAGE OUTLINES HOW REQUESTS FOR  
NEW TRANSMISSION AND/OR SUBSTATION FACILITIES ARE TREATED AND IS  
NOT APPROPRIATELY INCLUDED IN RULE H.**

First, although ICIP implies<sup>1</sup> that Rule H was the appropriate location to address requests for new transmission and/or substation facilities, it is important for the

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<sup>1</sup> ICIP states, "Rather than amend its Rule H to incorporate the Commission's findings, Idaho Power has chosen to modify the industrial rate Schedule 19." ICIP Comments, p. 1.

Commission to understand it was never the Company's intent that the new language would be included in Rule H. Rule H governs the Company's treatment of installations or alterations to the Company's distribution system. Because Rule H specifically states it "does not apply to transmission or substation facilities"<sup>2</sup> and because Schedule 19 customers are sometimes required to fund Company installations of transmission and/or substation facilities, it is appropriate the new language describing any substation allowances or possible transmission vested interest be explained outside of Rule H and contained within Schedule 19. Schedule 19 already states:

If additional distribution facilities are required to supply the desired service, those facilities provided for under Rule H will be provided under the terms and conditions of that rule. To the extent that additional facilities not provided for under Rule H, including transmission and/or substation facilities, are required to provide the requested service, special arrangements will be made in a separate agreement between the Customer and the Company.<sup>3</sup>

The proposed new Schedule 19 language starts with the heading "Special Arrangements for Substation Allowances and/or Transmission Vested Interest" to differentiate it from the distribution-related terms contained within Rule H. The proposed new language sets forth certain considerations which must be included in the special arrangements explained in the "Availability" section of Schedule 19.

Further, the Company's proposed Schedule 19 tariff modifications assume nothing has changed in regards to Rule H. Moreover, the new Schedule 19 provisions do not limit or change how an industrial customer's request for installations of distribution facilities is treated under Rule H. Although ICIP expresses concern that

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<sup>2</sup> I.P.U.C. No. 29, Tariff No. 101, Rule H New Service Attachments and Distribution Line Installations or Alterations, First Revised Sheet No. H-1.

<sup>3</sup> I.P.U.C. No. 29, Tariff No. 101, Schedule 19 Large Power Service, First Revised Sheet No. 19-1.

somehow a primary voltage level Schedule 19 customer requesting a distribution line extension under Rule H would not receive the benefit of all of the provisions contained within Rule H,<sup>4</sup> this concern is unfounded. If a Schedule 19 customer requires a distribution line be installed, that installation would be handled in accordance with Rule H (and subject to the Vested Interest provisions contained therein). Likewise, if a Schedule 19 customer's request for service requires that transmission facilities be installed, that portion of the request would be handled in accordance with proposed Schedule 19 provisions (and subject to the Transmission Vested Interest provisions contained therein).

ICIP states "it would be discriminatory for Idaho Power to restrict such benefits to just transmission level industrial customers and not also to primary level industrial customers."<sup>5</sup> It should be noted that the proposed language does not limit either the allowance or vested interest provisions for Schedule 19 customers to only transmission level customers; rather, it limits the provisions to transmission and/or substation facilities. When the ICIP points to Glanbia as an example, it should be remembered that Glanbia is not a transmission level customer; it is a primary service level customer, as are the majority of the Company's Schedule 19 customers.

## II.

### **THE COMPANY DOES NOT EARN A RETURN ON A CONTRIBUTION IN AID OF CONSTRUCTION ("CIAC") BECAUSE THESE CONTRIBUTIONS DIRECTLY OFFSET PLANT AND ARE NOT INCLUDED IN RATE BASE.**

ICIP believes the Commission's Order No. 32893 authorizing Schedule 19 customers to receive a substation allowance over a period of five years constitutes

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<sup>4</sup> "Idaho Power is making the vested interest rights only available when a customer installs transmission voltage levels . . . the vested interest rights for a Schedule 19 customer should extend to Schedule 19 customers of all voltage levels." ICIP Comments, p. 3.

<sup>5</sup> *Id.*

disparate treatment and suggests the so-called inequity might be “ameliorated somewhat by having the un-refunded portion of the allowance accrue interest.”<sup>6</sup> ICIP misunderstands the accounting associated with a refundable CIAC. The Company is not “holding” these funds with an opportunity to earn interest or a return; rather, the funds are immediately deployed for the construction of the requested plant and equipment. The Company will not have an opportunity to earn a return on the requested plant and equipment until the time the allowance is refunded. That is, the Company increases its investment in plant when it issues payment to the customer in accordance with Commission Order No. 32893 and the proposed Schedule 19 language. It is not appropriate to pay interest because the Company is not holding cash, but rather will have used those funds to complete the construction of the requested facilities and the resulting impact to rate base is zero until the refunds are issued.

**III.**  
**THE COMPANY’S PROPOSED METHOD FOR ISSUING**  
**REFUNDS IS CONSISTENT WITH THE COMMISSION’S DIRECTIVE**  
**FOR THE ALLOWANCE TO BE BASED ON SUSTAINED USAGE.**

ICIP argues that the Company “did not use the exact formula for calculating the size of the Schedule 19 allowance from the Commission’s order,”<sup>7</sup> pointing out the Company’s tariff language says “change” instead of “increase.” The Company met with Commission Staff to work through examples of how a customer might receive refunds based on the Commission’s ordered formula.<sup>8</sup> As the original formula was written, the yearly allowance amount would be adjusted upward but never downward based on the

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<sup>6</sup> ICIP Comments, p. 2.

<sup>7</sup> *Id.*

<sup>8</sup> Order No. 32893, p. 8, footnote 1.

realized usage of the customer. However, the Commission stated the customer would receive a full allowance “as long as maximum load is maintained.”<sup>9</sup> Because the result of the formula is added to the prior year’s allowance to determine the refund to the customer, if the Company did not use the word “change,” it would suggest a Customer could continue to receive a refund based on the usage established during the first year of service, regardless of whether or not that load was maintained. The formula is an adjustment to the allowance received in the prior year, not a stand-alone determination of the annual allowance amount. This modification does not, as ICIP suggests, indicate that a customer would “have an obligation to pay Idaho Power;”<sup>10</sup> it means that an allowance paid one year may be smaller than the allowance paid in the prior year if a customer’s usage is less than it was the prior year. This result is consistent with the Commission’s discussion that “increases in load less than the amount projected will result in smaller credits.”<sup>11</sup>

#### **IV.** **CONCLUSION**

The Company believes its proposed tariff language encapsulates what was directed by the Commission in Order Nos. 32893 and 32914, and requests the Schedule 19 tariff modifications be approved as filed.

Respectfully submitted this 5<sup>th</sup> day of February 2014.

  
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LISA D. NORDSTROM  
Attorney for Idaho Power Company

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<sup>9</sup> Order No. 32893, p. 8.

<sup>10</sup> ICIP Comments, p. 3.

<sup>11</sup> Order No. 32893, p. 8.



## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 5<sup>th</sup> day of February 2014 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

**Commission Staff**

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Deputy Attorney General  
Idaho Public Utilities Commission  
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**Industrial Customers of Idaho Power**

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Christa Bearry, Legal Assistant